



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

6639 Capitol Blvd., PO Box 43113 • Olympia, Washington 98504-3113 • (360) 664-7767

REGULAR BOARD MEETING

March 24, 2004

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on March 24, 2004.

Board Members Present:

Ted Campbell
Kelly Fox, Chair
Pat Hepler
Mark Johnston
Dave Moseley
Senator Linda Evans Parlette
Jack Simington, Vice Chair
Representative Geoff Simpson

Board Members Not Present:

Doug Cochran
Michael Edwards
Maureen Morris

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:15 a.m.

(1) December 17, 2003 Board Meeting Minutes

The Board discussed the recording of individual board member votes on each motion. Minutes will reflect if the vote on each motion is unanimous or will note the voting status of each member.

*It was moved that the December 17, 2003 Board meeting minutes be amended to reflect the unanimous voting status of each motion and adopted as amended.
Seconded.*

MOTION CARRIED UNANIMOUSLY

(2) Summary of 2004 Legislative Session

Steve Nelsen, Interim Executive Director gave an overview of bills recommended by the LEOFF Plan 2 Retirement Board to the Legislature for the 2004 Legislative Session. The Governor has signed all bills recommended by the Board. Mr. Nelsen also provided a

summary of other legislation of interest to the Board that passed during the 2004 Legislative Session.

Bill discussion included:

- A. HB 2418 - Duty-Related Disability Benefits (Board recommended)
- B. HB 2419 - Duty-Related Survivor Benefits (Board recommended)
- C. SB 6249 - Actuarial Asset Smoothing Corridor (Board recommended)
- D. HB 2535 – PERS/SERS Plan 2 and 3 Service Credit Purchase (Possible future legislation to include LEOFF Plan 2)

It was moved that staff research and bring back more information and background on HB 2535 (PERS/SERS Plan 2 and 3 Service Credit Purchase) for potential LEOFF Plan 2 inclusion to the April 28, 2004 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

Administrative Update

A. Office Space Plan – Mr. Nelsen provided report on the status of the agency’s office space acquisition plan. The lease has been signed to secure just under 2,000 sq. ft. at 2100 Evergreen Park Drive S.W., in Olympia, Washington 98502. The agency will be located in the same building as the Washington State Investment Board and the Office of the State Actuary. The anticipated move date is between April 23, 2004 and May 7, 2004.

B. Staff Model – Mr. Nelsen Reviewed the “Proposed Staff Model” handout with the Board.

The motion was made to move forward with the recruitment and hiring of the Administrative Services Manager and one Research Analyst, leaving the Deputy Director and another Research Analyst position for further discussion at the April 28, 2004 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

Mr. Nelsen went on to report that the agency will not hire additional staff until the move to the new facility is complete, due to current space constraints.

C. Budget Status Report – Mr. Nelsen discussed the “Draft Budget Proposal” handout which provided an update on the agency’s current funding status vs. original budget allotments, additional estimated one-time costs, an estimate for the remainder of 2004 and a high-level budget estimate for 2005.

The following people had public comment:

Charles Love - King County Sheriff’s Office

The motion was made to approve the budget proposal, leaving the 2005 budget consideration and approval for a future Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

(4) 2005-2007 Budget Planning

A. Strategic Planning – The Board must include a strategic plan with the 2005-07 Budget submittal. The suggestion was made to coordinate an outreach to LEOFF Plan 2 members to determine member expectations for the Board, and use the results as a basis for strategic planning.

B. *It was moved that staff bring back options for LEOFF Plan 2 membership outreach to the April Board meeting for discussion and consideration. Seconded.*

MOTION CARRIED UNANIMOUSLY

B. Performance Measures – In addition to a strategic plan, the Board must also include performance measures with the 2005-07 Budget submittal. Mr. Nelsen suggested including this as part of the strategic planning process.

It was moved that a letter be sent to the Office of Financial Management explaining the reasons behind a delay in the Board's Strategic Plan and Performance Measures submittal.

MOTION CARRIED UNANIMOUSLY

(5) Fiduciary Training for Board Members

Mr. Nelsen provided an overview of the “*Draft Trustee Education Policy*” handout.

It was moved that the “Draft Trustee Education Policy” be amended to include meetings of the State Investment Board as pre-approved and adopted as amended. Seconded.

MOTION CARRIED UNANIMOUSLY

(6) Administrative Update

Kelly Fox, Chair, provided an update on the Executive Director recruitment process. He will be coordinating with Patty McGuire at the Department of Personnel to discuss recruitment options. This subject will be placed on the agenda next month for possible Executive Action.

(7) Department of Retirement Systems Presentation

John Charles, Director of the Washington State Department of Retirement Systems, gave a presentation on LEOFF Plan 2 benefits administration.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for April 28, 2004 from 9:00 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive SW, Olympia, Washington 98502.

The meeting adjourned at 1:30 p.m.



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PLAN 2 RETIREMENT BOARD**

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

REGULAR BOARD MEETING

April 28, 2004

Minutes

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington.

Board Members Present:

Michael Edwards
Kelly Fox, Chair
Pat Hepler
Mark Johnston
Maureen Morris
Senator Linda Evans Parlette
Jack Simington, Vice Chair
Representative Geoff Simpson

Board Members Not Present:

Doug Cochran
David Moseley

Staff

Jeralyn Faulhaber, Administrative Services Manager
Steve Nelsen, Interim Executive Director
Jerry Westby, AAG for Suzanne Shaw, AAG

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:30 a.m. A moment of silence was called to remember law enforcement officer, Jim Lewis, who was killed in the line of duty on Tuesday, April 27, 2004.

(1) March 24, 2004 Board Meeting Minutes

It was moved that the March 24, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

(2) **Administrative Update**

- a. **Office Space Update** – Steve Nelsen, Interim Executive Director, provided an update on the agency’s move to the new office. The agency plans on being up and running on Monday, May 3, 2004 in the new facility.
- b. **Staff Introduction** – Mr. Nelsen introduced Jeralyn Faulhaber in her new role as the agency’s Administrative Services Manager.
- c. **Contribution Rate Adoption Timeline** – Mr. Nelsen updated the Board on the timing of adopting the state, member and employer contribution rates. This item will be on the agenda for action at the September Board meeting.

Matt Smith, State Actuary was invited to address the Board regarding costs from recently passed legislation. Mr. Smith indicated that the costs would be reflected in the current actuarial valuation but any rate increase would not go into effect until July 1, 2005. The adoption of a supplemental contribution rate for the period prior to July 1, 2005 will be on the May Board meeting agenda.

(3) **Potential 2005 Legislation – Purchase of Additional Benefits**

Mr. Nelsen discussed the following handouts:

- a. HB 2535 – Service Credit Purchase
- b. RCW 41.50.088 (1) (b) – Purchase of Annuity
- c. RCW 41.32.067 – Purchase of Additional Benefits
- d. HB 2536 – Early-Retirement Reduction Buy-Down

Discussion took place regarding potential legislation that would allow a LEOFF Plan 2 member to purchase additional benefits like service credit or an annuity by using funds from an outside source such as deferred compensation contributions and earnings. Currently, there is not an option to purchase additional benefits/service credit in LEOFF Plan 2 like there is in other retirement systems/plans.

Chair Fox called an Executive Session to discuss the Executive Director recruitment at 10:40 a.m., with Patty McGuire from the Department of Personnel.

The Board reconvened at 11:05 a.m. and moved to *Agenda Item #5 – Executive Director Recruitment.*

(5) **Executive Director Recruitment Update**

Chairman Fox invited Patty McGuire from the Department of Personnel to speak to the Board regarding the process and potential costs to recruit for and hire a permanent Executive Director. A typical search would take a minimum of six-eight weeks and could cost approximately 15 – 20% of the annual salary of the position recruited for. The Board discussed the duties, skills and knowledge required by the position.

It was moved to forego additional recruitment efforts for the Executive Director and to hire Steve Nelsen. Seconded. Maureen Morris opposed the motion to forego additional recruitment efforts.

MOTION CARRIED

(4) Options for LEOFF Plan 2 Member Outreach

Mr. Nelsen discussed the pros and cons of each option in the “*LEOFF Plan 2 Member Outreach Options*” handout.

The Board asked staff to research the possibility of creating and distributing a brochure or newsletter that would go to LEOFF Plan 2 members. This brochure or newsletter would introduce the Board, answer why it had been formed, discuss what the Board has done so far and include contact information. Similar information will be included on the Board’s Web site when it becomes available in June.

The meeting adjourned for lunch until 12:40 p.m.

(6) 2005-07 Budget Planning (Strategic Planning and Performance Measures)

Mr. Nelsen discussed excerpts from the Office of Financial Management’s “*Budget Instructions 2005-07, Part 1*” handout. The Board must submit its strategic plan and performance measures no later than the budget submittal due date of September 1, 2005.

The Board requested that staff submit the approved work plan, the Initiative and enabling legislation to potential facilitators to assist the Board with their strategic planning process. They asked that staff farm out what would fall within the agency’s scope, and then submit the areas the Board would need to focus on to the approved facilitator.

The Board scheduled their Strategic Planning Session for June 22, 2004 at 5:00 p.m. at 1069 Adams St. S.E., Olympia, WA.

It was moved that the Board authorize the Executive Director to hire a facilitator to assist with the Board’s strategic planning process for the Board. Seconded.

MOTION CARRIED UNANIMOUSLY

(7) Administrative Update

Mr. Nelsen discussed the “*Proposed Staffing Model*”, “*Budget Comparisons*” and the “*Draft FY05 Budget Proposal*” handouts.

It was moved that the Board approve the “Proposed Staffing Model” Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the Board adopt the “Proposed Budget for FY05”. Seconded.

MOTION CARRIED UNANIMOUSLY

The 2005-07 biennial budget will be on the July agenda.

OTHER ITEMS

Chairman Fox announced he had received the resignation of Board member Theodore J. Campbell due to health reasons. He wanted to publicly thank Mr. Campbell for the job he had done for the Board since it began in July 2003. Included in Mr. Campbell's letter was a request to study his potential disability situation for LEOFF Plan 2 members.

It was moved that the "Disability Issue" reflected in Mr. Campbell's letter be moved forward to the preliminary phase and that staff research and prepare an initial report for the May Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

Chairman Fox announced that he had received a request from Representative Jerome Delvin asking the Board to study the issue of members and retirees returning to work in PERS positions.

It was moved that the "Member and Retiree Returning to Work in PERS Positions" issue reflected in Representative Delvin's letter be moved forward to the preliminary phase and that staff research and prepare an initial report for the May or June Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

It was discussed and decided that Board meetings would now begin at 9:30 a.m. instead of at 9:00 a.m.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for May 26, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive SW, Olympia, Washington 98502.

There being no further business, the meeting was adjourned at 2:40 p.m.



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**REGULAR BOARD MEETING
May 26, 2004
Meeting Minutes**

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on May 26, 2004.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Mark Johnston
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson
Doug Cochran
Michael Edwards
Maureen Morris

Board Members Not Present:

Pat Hepler

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, AAG
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, Washington State Actuary

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:35 a.m.

1) April 28, 2004 Board Meeting Minutes

It was moved that the April 28, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Agency Update**

Steve Nelsen, Executive Director introduced Jessica Burkhart as the new Executive Assistant and Tim Valencia as the new Senior Research and Policy Manager, and welcomed them both to the agency.

Doug Pendagrass was introduced as the new nominee for the vacant Board position of Active Law Enforcement Representative. Mr. Pendagrass has worked for the Snohomish County Sheriff's Office since 1978.

3) **Supplemental Contribution Rates**

State Actuary Matt Smith, discussed the "*HB 2418 and HB 2419 Fiscal Note*" handouts and distributed a "Supplemental Rates Timeline" which showed when possible increase in rates would go into effect in the form of a supplemental contribution rate, due to the passage of HB 2418 and HB 2419 during the 2003 Legislative Session.

Mr. Smith explained that the supplemental rate is a "temporary funding mechanism" which would go into effect in September 2004, until the biennial Actuarial Valuation is performed. Adoption of Supplemental Contribution Rates will be placed on the July Board Meeting Agenda for action. This will allow time for the 30-day statutorily required notice to employers for a September 1, 2004 effective date.

Agenda Item #4 was postponed until the afternoon.

5) **Potential 2005 Legislation – Duty Disability Actuarial Reductions**

Mr. Nelsen presented the "*Duty Disability Actuarial Reductions*" initial proposal. The Board asked that an actuarial cost analysis be done on each of the Policy Options and be brought back to the Board for discussion.

It was moved that the "Duty Disability Actuarial Reductions" be moved forward to the preliminary stage and be presented at the June Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

6) **2005 – 07 Budget Planning – Strategic Planning Session**

Mr. Nelsen has hired Jim This to facilitate the Board's Strategic Planning Session on June 22, 2004 beginning at 5:00 p.m. His strategic planning process presentation and discussion will take approximately four hours.

Select Committee on Pension Policy Coordination (SCPP)

Mr. Nelsen updated the Board on issues discussed at the latest SCPP meeting and will keep the Board updated on their activities. Matt Smith in turn will keep the SCPP apprised of LEOFF Plan 2 Retirement Board activities.

Pension Funding Council (PFC) Update

The PFC adopts contribution rates for all other state retirement plans except for LEOFF Plan 2. An independent actuarial audit, which will be coordinated with the Pension Funding Council, will be performed in August and September. The PFC Workgroup will be meeting to develop an RFP to select an independent actuarial audit firm to audit the

Actuary's 2005–07 valuation. The Board can expect a presentation by this firm in August, with discussion and adoption of contribution rates at the September Board meeting.

4) Options for Member Outreach

Brochure/Newsletter – Mr. Nelsen discussed the approximate costs of creating and distributing a member newsletter or brochure to LEOFF Plan 2 members and associated timelines. A graphic design company will be used to develop the newsletter. Staff will provide the content and oversee the look and layout of the publication.

LEOFF Plan 2 Retirement Board Web Site – Tim Valencia presented the new LEOFF Plan 2 Retirement Board Web site for review and comment. The goal is to have the Web site launched in June 2004.

Upcoming Meetings

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 22, 2004 beginning at 5:00 p.m. at 1069 Adams Street Southeast in Olympia.

The next regularly scheduled Board meeting is June 23, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive Southwest in Olympia.

There being no further business, the meeting adjourned at 1:45 p.m.



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REGULAR BOARD MEETING

June 23, 2004

Minutes

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on June 23, 2004.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Pat Hepler
Mark Johnston
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson
Doug Pendergrass
Doug Cochran
Michael Edwards

Board Members Not Present:

Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Jerry Westby, AAG
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, Washington State Actuary
Jim This, Strategic Planning Facilitator

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m.

1) May 26, 2004 Board Meeting Minutes

It was moved that the May 26, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Contribution Rate Setting Process**

Matt Smith, State Actuary presented an overview of the contribution rate setting process before and after Initiative 790. Mr. Smith reviewed the projected rates as well as the contribution rate setting basics.

Mr. Smith also covered topics such as the actuarial value of assets, the annual cost of a pension plan, unfunded liability and amortization methods.

Steve Nelsen, Executive Director informed the board that the agency would be contracting with an independent actuarial firm to perform an audit of the Actuary's fiscal notes for HB 2418 and 2419.

Mr. Nelsen went on to report that the board would be adopting the supplemental contribution rates at the July board meeting and would adopt the 2005-2007 contribution rates at the September board meeting. The August board meeting will include a presentation of the State Actuary's valuation and a report by the independent actuarial firm hired to audit the State Actuary's valuation.

3) **Strategic Planning Follow-up Discussion**

Steve Nelsen introduced Jim This as the Strategic Planning Facilitator. Mr. This provided copies of the board's draft Strategic Plan, which covered the board's draft mission statement, goals, performance objectives and strategies that were identified during the June 22, 2004 Special Board Meeting. Mr. This then guided the board through developing Performance Measures that would tie back to the goals. The board will visit this subject again at the July board meeting.

4) **Post LEOFF Employment**

Tim Valencia, Senior Research Policy Manager presented a report on the topic of "*Post LEOFF Employment*." The report discussed LEOFF Plan 2 members who continue in public employment following separation or retirement from the LEOFF Plan 2 Retirement Plan and the restrictions they may face concerning their pension or establishing membership in a second public retirement system.

It was moved that the "Post LEOFF Employment" topic move forward to the preliminary proposal stage and be placed on the August board meeting agenda. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Administrative Update**

Select Committee on Pension Policy Coordination (SCPP)

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) meeting and provided the SCPP Proposed Issue Schedule along with a list of SCPP members. Issues discussed at the SCPP meeting included a presentation on the Adequacy of Benefits and Military Service Credit.

The board asked that an initial report be prepared for the July board meeting on how LEOFF Plan 2 military service credit is treated. The board also asked for a similar report on the Adequacy of Benefits for LEOFF Plan 2 to be presented at the September board meeting.

HB 2419 Examples

Examples and an Early Retirement Factors table were provided to the board members to illustrate the effect of the passage of House Bill 2419 on a LEOFF Plan 2 survivor benefit.

Newsletter

Mr. Nelsen discussed the LEOFF Plan 2 Retirement Board's progress on creating and distributing a newsletter. Jeralyn Faulhaber, Administrative Services Manager held a meeting with Daniels Brown, a graphic design company. The cost to create the initial design was estimated at \$2,500 and then under \$700 for each edition thereafter. The printing costs were estimated at approximately \$2,500 for distribution to over 14,000 LEOFF Plan 2 members. Mr. Nelsen indicated that we would move forward with the initial newsletter at this time.

Trustee Education

An approved Board Member Trustee Education list was provided to the board members. The handout provided approved organizations, seminars and/or conferences that board members can and are encouraged to attend.

Annual Audit

Mr. Nelsen will be contracting with an audit firm to conduct the first audit of the LEOFF Plan 2 Retirement Board expenses.

Web Site

Mr. Nelsen reminded the Board that the LEOFF Plan 2 Retirement Board Web Site has been launched and statistics on the usage of the site will be provided at a future meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 28, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:46 p.m.



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REGULAR BOARD MEETING

July 28, 2004

Minutes

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on July 28, 2004.

Board Members Present:

Jack Simington, Vice Chair
Pat Hepler
Mark Johnston
Senator Linda Evans Parlette
Doug Pendergrass
Doug Cochran
Michael Edwards
Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, State Actuary

Board Members Not Present:

Kelly Fox, Chair
David Moseley
Representative Geoff Simpson

Jack Simington, Vice Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:36 a.m.

1) June 22 & 23, 2004 Board Meeting Minutes

It was moved that the June 22 & 23, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Contribution Rate Stability**

Matt Smith, State Actuary, presented an overview of the pension funding issues related to contribution rate stability including the balance between rate stability and rate adequacy.

The LEOFF Plan 2 Retirement Board has identified contribution rate stability as one of the top four goals in their strategic plan. The Select Committee on Pension Policy (SCPP) has also identified contribution rate stability as one of their top four priorities.

Mr. Smith reviewed four options that would provide contribution rate stability:

- Minimum contribution rates
- Maximum rates of change
- Statutory fixed contribution rates and;
- Corridor funding

It was moved that the “Contribution Rate Stability” topic be placed on the September Board meeting agenda for further consideration. Seconded.

MOTION CARRIED UNANIMOUSLY

3) **Supplemental Contribution Rate Adoption**

Steve Nelsen, Executive Director, presented two letters from Oliver Consulting, the independent actuarial firm that has been hired to conduct an actuarial review of the fiscal notes for House Bill 2418 and House Bill 2419. Mr. Nelsen also provided a handout of Proposed LEOFF 2 Supplemental Contribution Rate Increases. The outside actuarial firm confirmed the State Actuary’s analysis.

Mr. Nelsen recommended that operating policy #9 be amended to provide that outside actuarial review be conducted prior to the Board voting on a Final Proposal whenever possible.

It was moved that the Board adopt the proposed Supplemental Contribution Rate and amend the LEOFF Plan 2 Board operating policy #9 for action on the August Board meeting agenda. Seconded.

MOTION CARRIED UNANIMOUSLY

Staff will notify the Department of Retirement Systems of the new supplemental contribution rate to be effective September 1, 2004.

4) **LEOFF 2 Military Service – Initial Presentation**

Tim Valencia, Senior Research Policy Manager presented an Initial Presentation on the topic of “LEOFF 2 Military Service.” The report discussed how military service which interrupts a member’s LEOFF 2 employment affects the member’s pension.

It was moved that the “LEOFF 2 Military Service” topic move forward to the Preliminary Proposal stage and be placed on the August Board meeting agenda.

MOTION CARRIED UNANIMOUSLY

5) **2005-07 Biennial Budget**

Mr. Nelsen discussed the 2005-07 Biennial Budget handout. The Board reviewed the estimated 2005-07 Biennial expenditures.

He also presented the Board with a Newsletter Outline and a description of the articles to be included. The Board discussed newsletter titles and frequency of distribution.

It was moved that "Dual Response" be adopted as the official title for the LEOFF Plan 2 Retirement Board's newsletter. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the 2005-07 proposed biennial budget be adopted as presented with a \$20,000 increase to publication development to include one additional newsletter per year. Seconded.

MOTION CARRIED UNANIMOUSLY

6) **Strategic Planning Follow-Up**

Mr. Nelsen provided copies of the Board's draft Strategic Plan, which was modified during the June 23, 2004 Board meeting. He also provided a revised copy for the Board to review which included a slight modification of verbiage and proposed LEOFF Plan 2 Retirement Board Organizational Values.

It was moved that the Board adopt the revised Strategic Plan and Organizational Values. The Board has the option of reviewing during the August Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

7) **Annual Summary of Benefits**

Mr. Nelsen presented the Board with sample copies of LEOFF Plan 2 Annual Retirement Statements, LEOFF Plan 2 Member Handbooks, and Summary Annual Financial Reports from the Department of Retirement Systems as examples of the type of information that could be provided to plan participants. Mr. Nelsen asked the Board to review the examples and consider the kind of information LEOFF Plan 2 members would find useful and be prepared to discuss this issue further at a future Board meeting.

8) **Administrative Update**

Select Committee on Pension Policy Coordination (SCPP)

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) Meeting. Mr. Nelsen also informed the Board that Senator Karen Fraser was elected as the Chair of the SCPP.

Actuarial Audit

Mr. Nelsen informed Board members that the agency had partnered with the Pension Funding Council and secured Milliman USA as the outside actuarial firm that will audit the State Actuary's 2003 Valuation. Milliman USA plans to present the results of the audit at the August Board meeting.

August Meeting Agenda

Mr. Nelsen provided the Board with the 2004 LEOFF Plan 2 Retirement Board meeting calendar. He went on to say that the calendar would become a regular topic of discussion to provide the opportunity for board members to bring forward agenda items for upcoming board meetings.

Annual Audit

Mr. Nelsen informed the Board that he is in the process of contracting with an audit firm to conduct the Board's annual internal audit. Mr. Nelsen expects the audit firm to present the results during the October 2004 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 25, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:35 p.m.



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REGULAR BOARD MEETING

August 25, 2004

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on August 25, 2004.

Board Members Present:

Kelly Fox, Chair
Pat Hepler
Mark Johnston
David Moseley
Doug Pendergrass
Doug Cochran
Maureen Morris
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, State Actuary
Karen Steffen and Nick Collier, Milliman USA

Board Members Not Present:

Senator Linda Evans Parlette
Jack Simington, Vice Chair
Michael Edwards

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:35 a.m.

1) July 28, 2004 Board Meeting Minutes

It was moved that the July 28, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **2003 Valuation Report**

Matt Smith, State Actuary, presented the preliminary 2003 Valuation Report for the LEOFF Plan 2 Retirement system which included estimated contribution rates, actuarial liabilities, assets, funded status and participant data. The recommended contribution rates for the 2005-07 biennium are 7.20% for members, 4.32% for employers and 2.88% for the State.

3) **Independent Audit of Actuarial Valuation**

Steve Nelsen, Executive Director, introduced Karen Steffen, Consulting Actuary and Nick Collier, Associate Actuary with Milliman USA. Ms. Steffen and Mr. Collier presented the Board with a draft report of the independent actuarial audit conducted by Milliman USA on the Office of the State Actuary's 2003 Valuation Report. Based upon their review of the September 30, 2003 actuarial valuation report, Milliman USA found that the actuarial work done by Office of the State Actuary was reasonable and appropriate and that the resulting contribution rates for the 2005-2007 biennium accurately reflect the actuarial assets and liabilities.

4) **Duty Related Disability Benefits – Preliminary Report**

Steve Nelsen presented a preliminary report which reviewed the current provisions and discussed two policy options for duty disability benefits. Mr. Nelsen explained that the first option would eliminate the actuarial reduction for duty disability calculation and provide the member with their full earned pension. It also would not change the duty disability standard or allow for favorable tax treatment.

The second option would establish a special benefit for extreme disabilities. This option creates a higher disability standard and higher level of benefit when the member is not capable of any substantial future employment and may allow for favorable tax treatment.

The Board requested that staff provide a follow-up report at the September Board meeting on an alternative option that would limit eligibility for additional benefits to members who were disabled in the course of responding to an emergency.

5) **Post-LEOFF Employment – Preliminary Report**

Tim Valencia, Senior Research and Policy Manager, presented a Preliminary Report on the topic of "*Post-LEOFF Employment.*" The following three key issues were discussed:

- The earlier retirement age in LEOFF Plan 2;
- The tendency for LEOFF 2 retirees to seek full-time employment during the initial years of their retirement; and
- Barriers to post-LEOFF employment in the public sector

Mr. Valencia went on to present three policy options that would resolve barriers to post LEOFF employment. The first option discussed would provide LEOFF 2 members a choice of enrolling in the PERS, SERS, TRS or PSERS retirement plan when employed in an eligible position following their LEOFF 2 employment.

The second option would remove restrictions on receiving their pension when employed in an eligible position while still accruing an additional pension.

The final option would create retire/rehire guidelines similar to the other Plan 2 systems.

The Board requested that staff provide costs associated with options 1 and 2 and present them at a future Board meeting.

6) Operating Policy #9 – Process for New Benefits Proposals

Mr. Nelsen presented the Board with an amended version of Operating Policy #9 which discusses the process for new benefit proposals. The amended policy made some terminology changes and provided that independent actuarial review of the costs of proposals would be conducted before the Board takes final action on a proposal whenever possible.

It was moved that the amended LEOFF Plan 2 Retirement Board Operating Policy #9 be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

7) Strategic Plan Review

Mr. Nelsen provided copies of the Board's Strategic Plan which was approved during the July 28, 2004 Board meeting. The Board had no suggestions or revisions to the plan.

8) Administrative Update

Select Committee on Pension Policy Update

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) Meeting. The SCPP will be presenting a proposal on members of public pension plans who are killed or disabled in the course of military service. The SCPP is also working on the topic of contribution rate stability including the possibility of annual increases to contribution rates rather than a biennial increase. The SCPP is also considering a bill which would allow elected officials to opt out of membership at the end of each term of office.

September Meeting Agenda

The Board asked that the topic of LEOFF membership for King County Medic One personnel be placed on the agenda for initial consideration at the September meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 22, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:05 p.m.



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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**REGULAR BOARD MEETING
September 22, 2004**

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on September 22, 2004.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Pat Hepler
Mark Johnston
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson
Doug Pendergrass
Doug Cochran
Michael Edwards
Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research Policy Manager

Guests:

Chris Merritt, King County Paramedics

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m.

1) August 25, 2004 Board Meeting Minutes

It was moved that the August 25, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Contribution Rate Adoption for 2005-07**

Steve Nelsen, Executive Director presented the Board with a letter from Matthew Smith, State Actuary, which stated the recommended member, employer and state contribution rates for the 2005-07 biennium. Mr. Nelsen also provided the Board with the Final Actuarial Audit Report from Milliman USA.

*It was moved that the 2005-07 contribution rates be adopted as follows:
7.20% for members, 4.32% for employers, and 2.88% for the state.*

MOTION CARRIED UNANIMOUSLY

3) **Contribution Rate Stability – Preliminary Report**

Mr. Nelsen presented a Preliminary Report which reviewed the current contribution rates for members, employers and the state. The report not only provided various charts which illustrated the history of member contribution rates, but it also included options for ongoing rate stability.

It was moved that the “Contribution Rate Stability” topic move forward to the Final Proposal Stage and be placed on the November Board meeting agenda. Seconded.

MOTION CARRIED UNANIMOUSLY

4) **Military Service – Preliminary Report**

Tim Valencia, Senior Research Policy Manager, presented a Preliminary Report on the topic of “*Military Service Credit*”. The report covered issues such as the current provisions, limitations of USERRA, federal benefits, as well as the Select Committee on Pension Policy (SCPP) proposal.

5) **King County Medic One – Initial Consideration**

Steve Nelsen introduced Chris Merritt, President of the King County Paramedics and provided the Board with a letter from the organization. Mr. Merritt went on to ask the Board to consider drafting legislation that would provide access into LEOFF Plan 2 to 60 King County Paramedics.

It was moved that the “King County Medic One” topic move forward and be placed on the October Board meeting agenda for further consideration. Seconded. Senator Parlette and David Moseley opposed the motion.

MOTION CARRIED

6) **Duty Related Disability Benefits – Follow-Up Report**

Mr. Nelsen presented a Preliminary Follow-Up Report on pension benefits for LEOFF Plan 2 members who become disabled in the line of duty. The report included three options with cost estimates. The first option would provide a disability retirement benefit equal to the accrued benefit. The second option would provide a disability retirement benefit equal to 70%, and the third option would provide a disability benefit equal to 50% of pay.

It was moved that the “Duty Related Disability” options 1 & 2 move forward to the Final Proposal stage at the December Board meeting. Seconded. Senator Parlette, Maureen Morris, Michael Edwards, and Doug Pendergrass opposed the motion.

MOTION CARRIED

7) Administrative Update

Select Committee on Pension Policy Update

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) meeting. The SCPP will be holding discussions on LEOFF topics such as Contribution Rate Stability and opt-in/opt-out legislation during their October meeting.

October Meeting Agenda

The Board requested that the Post-LEOFF Employment Preliminary Report Follow-Up and Medic One Initial Consideration Follow-Up be included on the October agenda.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 27, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:44 p.m.



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REGULAR BOARD MEETING

October 27, 2004

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on October 27, 2004.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Pat Hepler
Mark Johnston
David Moseley
Senator Linda Evans Parlette
Doug Pendergrass
Doug Cochran
Michael Edwards
Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research Policy Manager
Suzanne Shaw, AAG

Board Members Not Present:

Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:44 a.m.

1) September 22, 2004 Board Meeting Minutes

It was moved that the September 22, 2004 Board meeting minutes be adopted as presented. Seconded. Senator Parlette requested that reasons for opposition votes be recorded.

MOTION CARRIED UNANIMOUSLY

2) **Adequacy of Benefits – Initial Consideration**

Tim Valencia, Senior Research and Policy Manager, presented a report on the topic of “*Adequacy of Benefits*”. Mr. Valencia’s report outlined how LEOFF Plan 2 meets the income needs of a LEOFF Plan 2 retiree.

3) **Board Authority Regarding Plan Membership Issues**

Steve Nelsen, Executive Director, led a follow-up discussion from the September 22, 2004 Board meeting concerning inclusion of King County Medic One Paramedics into LEOFF Plan 2.

The Board broke into Executive Session at 10:37 a.m. to discuss this issue further.

Kelly Fox reconvened the meeting at 11:14 a.m. and stated that based on the advice from Suzanne Shaw, Assistant Attorney General, the Board determined that Initiative 790 does not provide the Board authority to propose legislation to include King County Medic One Paramedics into LEOFF Plan 2.

Notification of the Board’s decision will be sent to King County Medic One.

4) **Administrative Committee Membership Issues**

Steve Nelsen presented the Board with sample operating policies from the Washington State Investment Board and the Select Committee on Pension Policy.

The Board agreed to define the roles and responsibilities of the Administrative Committee at an upcoming Board meeting and asked staff to prepare recommendations.

5) **Post-LEOFF Employment – Preliminary Follow-Up**

Steve Nelsen discussed the topic of “Post-LEOFF Employment” by reviewing the August 25, 2004 Preliminary Report. He also discussed the costs associated with the three proposed LEOFF employment options which were reviewed by the Office of the State Actuary (OSA). The OSA determined that Option 1 would not be sufficient to impact rates. Option 2 would result in a total increase in the contribution rate of 0.08%; 0.04% by the member, 0.03% by the employer and 0.01% by the State.

It was moved that the Board move Option 1 forward to the Final Proposal stage for the December Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

6) **2005 Board Meeting Schedule**

Mr. Nelsen provided the 2005 proposed Board Meeting Schedule.

It was moved that the Board adopt the proposed 2005 Board Meeting Schedule through October 2005 and bring back alternative dates for November and December to discuss further after Board members have checked their calendars. This item will be placed on the November 2004 Board meeting agenda. Seconded.

MOTION CARRIED UNANIMOUSLY

7) **Annual Summary of Member Benefits – Follow-Up**

Mr. Nelsen presented the Board with a sample of an Annual Retirement Statement and a 2003 Summary Annual Financial Report. Mr. Nelsen suggested three options for the Board to consider.

It was moved that the Board pursue providing additional information to the Member Annual Statement. Staff will contact the Department of Retirement Systems and bring back further information to an upcoming Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

8) **Board Operating Policies**

Mr. Nelsen reviewed the Rules of Procedure from the Select Committee on Pension Policy as well as several Washington State Investment Board charters and policies. He led a discussion concerning the roles and responsibilities of the Board. The Board requested that staff provide suggestions for charters for The Board Chair, Vice Chair, and Administrative Committee.

9) **Director Performance Evaluation/Salary Setting Authority**

Steve Nelsen provided the Board with two Washington State Investment Board policies related to the Executive Director's performance evaluation. The Board requested that the Administrative Committee contact the Department of Personnel to prepare a job description and gain an evaluation tool for further discussion at the November Board meeting.

10) **Administrative Update**

Select Committee on Pension Policy Update

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) meeting including potential legislation as to how salary will be treated for members on military leave and purchase of service credit for members of the Teachers' Retirement System (TRS).

DRS Rulemaking

Mr. Nelsen presented Board members with a copy of the Department of Retirement Systems Proposed Rule Making for LEOFF Plan 2 Duty Disability Benefits. The Board requested that rule making become a regular Administrative Update item in the future.

November Meeting Agenda

Mr. Nelsen reviewed the 2004 Agenda Items Calendar with the Board and communicated that the Department of Retirement Systems will be giving a Defined Benefit Member Access presentation at the November Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for November 10, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:16 p.m.



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REGULAR BOARD MEETING

November 10, 2004

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on November 10, 2004.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Doug Pendergrass
Doug Cochran
Mark Johnston
Maureen Morris
Michael Edwards
Pat Hepler
Representative Geoff Simpson
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research & Policy Manager

Guests:

Steve Davis, Davis Accounting and Auditing Services
Gayle McGee, Department of Retirement Systems

Board Members Not Present:

David Moseley

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:47 a.m.

1) October 27, 2004 Board Meeting Minutes

It was moved that the October 27, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Annual Financial Audit of Expenses**

Steve Davis with Davis Accounting and Audit Services presented the Board with the results of the LEOFF Plan 2 Retirement Board audit of expenses. Mr. Davis' report indicated that the expenditures for the year ending June 30, 2004 are in compliance with all state laws and regulations and federal state requirements.

3) **Internal Audit/Risk Assessment**

Steve Nelsen, Executive Director discussed the agency's Risk Assessment tool and efforts by Board staff to implement the items identified as necessary.

4) **Member Access Presentation**

Gayle McGee with the Department of Retirement Systems (DRS) gave a presentation on Defined Benefit Account Member Access (DB Access). Her report included the background and implementation of DB Access. Ms. McGee also reviewed the process of accessing an online account.

5) **Contribution Rate Stability – Final Proposal**

The Office of the State Actuary provided the Board with a revised letter which discussed Contribution Rate Stability and included information on Weighted Annual Increases.

Mr. Nelsen communicated that the Board can adopt rate proposals by rule or by pursuing legislation. Rule making would allow for notice to all concerned parties, notification in WAC, and public hearings.

It was moved that the Board pursue a non-legislative process and bring back a Final Proposal on rule making alternatives to the December Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

6) **Interruptive Military Service Credit – Final Proposal**

Tim Valencia, Senior Research & Policy Manger provided the Board with a Final Proposal on Interruptive Military Service Credit, a letter from the Department of Retirement Systems, as well as two draft bills authorizing Interruptive Military Service Credit.

It was moved that this Final Proposal be brought back to the December Board meeting for action. Seconded

MOTION CARRIED UNANIMOUSLY

7) **Purchase of Service Credit/Annuity – Final Proposal**

Steve Nelsen presented a Final Proposal on the Purchase of Service Credit and Annuity which provided background information and policy issues. The Board also reviewed a LEOFF Plan 2 Service Credit Purchase sample calculation as well as a Department of Retirement Systems' Frequently Asked Questions about Purchased Service Credit handout.

Staff will bring back additional information to the December Board meeting for the Board to take action.

8) **Member Survey**

The Board discussed options regarding an initial member survey. Mr. Nelsen asked for input on what kind of information would be most helpful to them. The following were mentioned as potential survey items:

- Health care
- Survivor benefits
- Financial planning for retirement
- Benefit calculator
- Knowledge base among the membership about their plan

The LEOFF Plan 2 Retirement Board staff will bring back sample questions for the survey to the December Board meeting. Also discussed was placing the first survey into the initial newsletter.

9) **Executive Director Performance Review**

Kelly Fox, Chair updated the Board on activities which took place at the Administrative Committee meeting held earlier that morning. The Executive Director's job duties and responsibilities were discussed as well as possible salary setting options.

10) **November/December 2005 Board Meeting Dates**

The Board was provided alternative meeting dates for November-December 2005.

It was moved that November 16, 2005 at the Washington Counties Building and December 8, 2005 at the Washington State Investment Board be adopted as meeting dates for the upcoming year. Staff will file the finalized schedule with the Code Reviser's Office and bring back the approved 2005 schedule to the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) **Administrative Update**

Select Committee on Pension Policy Update

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) meeting.

December Meeting Agenda

Mr. Nelsen reviewed the 2004 Agenda Items Calendar and asked if the Board would like a presentation from the State Investment Board on Investment Performance at the December meeting.

Chair Fox asked that items for interim issues be sent to staff in advance to allow time for review and incorporation into the Interim Issues Plan which will be presented at the December meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 9, 2004 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 11:46 a.m.



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REGULAR BOARD MEETING

December 9, 2004

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on December 9, 2004.

Board Members Present:

Kelly Fox, Chair
Doug Pendergrass
Doug Cochran
Mark Johnston
Maureen Morris
David Moseley
Michael Edwards
Pat Hepler
Representative Geoff Simpson
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, State Actuary
Gary Bruebaker, State Investment Board

Board Members Not Present:

Jack Simington, Vice Chair

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m.

1) November 10, 2004 Board Meeting Minutes

It was moved that the November 10, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Actuarial Valuation Report – Matt Smith, State Actuary**
Matt Smith, State Actuary presented the Board with the *2003 LEOFF 2 Actuarial Valuation Report*. Mr. Smith provided an overview of the key results, actuarial exhibits, participant data, and appendices.

3) **Interruptive Military Service – Final Proposal, Tim Valencia**
Tim Valencia, Senior Research and Policy Manager provided the Board with a *Military Service Credit Final Proposal*, a *letter from the Director of the Department of Retirement Systems*, and *draft legislation and fiscal notes* concerning the interruptive military service credit final proposal.

It was moved that the Board adopt the Interruptive Military Service Credit Final Proposal and move it forward for consideration by the 2005 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

4) **Post-LEOFF Employment – Final Proposal, Tim Valencia**
Tim Valencia presented the Board with the *Final Proposal on Post-LEOFF Employment*. Mr. Valencia reviewed a *letter from the Office of the State Actuary (OSA)* concerning proposed Post-LEOFF Employment Policy Options, as well as draft legislation.

It was moved that the Board adopt the Post-LEOFF Employment Final Proposal and move it forward for consideration by the 2005 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Investment Performance Report – Gary Bruebaker, State Investment Board**
Gary Bruebaker, Chief Investment Officer with the Washington State Investment Board (SIB) provided a presentation relating to *2004 Investment Performance* which included an overview of funds managed by the SIB and how those funds are performing.

6) **Purchase of Service Credit/Annuity – Final Proposal, Steve Nelsen**
Steve Nelsen, Executive Director, presented a *Final Proposal on the Purchase of Service credit and Annuity* which provided background information and policy issues. The Board also reviewed a *LEOFF Plan 2 Service Credit Purchase Sample Calculation*, a *Department of Retirement Systems’ Frequently Asked Questions about Purchased Service Credit handout*, as well as two *draft legislative bills (Z-0188.1 and Z -0189.1)*.

It was moved that the Board adopt the Purchase of Service Credit Final Proposal without the additional annuity option with an amendment to the draft legislation to state an effective date of July 2006. This legislation will move forward for consideration by the 200 Legislature. Seconded.

Opposition: Pat Hepler – *“I am not opposed, I am just leaning toward annuity for reasons of flexibility.”*

MOTION CARRIED

7) **Contribution Rate Stability – Final Proposal, Steve Nelsen**

Mr. Nelsen provided the Board with a *Final Proposal on Contribution Rate Stability*, a *letter from the Office of the State Actuary (OSA)* outlining 4 years of weighted annual increases, and a *table* demonstrating the member, employer, and state contribution rates for 2005-2008. Mr. Nelsen also reviewed the *Rule Making Process* with the Board.

It was moved that the Board adopt the Contribution Rate Stability Final Proposal. Seconded.

Opposition: *Michael Edwards – “My concern is that we are not looking at and addressing volatility issues.”*

MOTION CARRIED

8) Duty Related Disability – Final Proposal, Steve Nelsen

Steve Nelsen presented a *Final Proposal on Duty Related Disability* and reviewed a *letter from OSA* outlining the proposed LEOFF 2 Disability Benefit Improvements. Mr. Nelsen also provided *draft legislation (Z-0219.1)* and a *draft fiscal note*, as well as a *letter from Oliver Consulting* addressing the actuarial review of contribution rate impact of duty disability benefit improvements.

It was moved that staff bring back the separated costs associated with 7(a) and 7(b) of the draft legislation (Z-0219.1) to a special meeting which will be held on January 6, 2004. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Communications Plan – Steve Nelsen

Steve Nelsen presented the *LEOFF Plan 2 Retirement Boards’ Communications Plan* and discussed the types of media and the goals associated with each item.

10) 2005 Interim Issues – Steve Nelsen

Steve Nelsen provided an overview of the *2005 Strategic Plan Objectives and Tactics*. These are items that staff will be working on during the 2005 interim. The Board expressed an interest to have a representative from the Social Security Administration present information on social security benefits at an upcoming meeting. The Board also felt it would be beneficial to hold a Special Meeting during the Legislative session to remain updated on various proposals.

11) Administrative Update

Select Committee on Pension policy Update

Mr. Nelsen updated the Board on issues discussed and actions taken at the latest Select Committee on Pension Policy (SCPP) Meeting.

2005 Meeting Dates

The Board was provided a *2005 Board Meeting Schedule*.

Member Survey

Steve Nelsen provided the Board with *Potential Newsletter Survey Questions* as a baseline of what could be included in the LEOFF Plan 2 Retirement Board's first newsletter.

Bill Sponsorship

Steve Nelsen spoke to the Board concerning sponsorships of bills for the 2005 Legislative Session. Mr. Nelsen suggested and the Board members agreed that he and his staff would be responsible for recruiting sponsors for the Boards' legislation during the 2005 Session.

Upcoming Meetings

A Special Meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 6, 2005 beginning at 9:30 a.m. at the Washington Association of Counties Building located at 206 - 10th Avenue S.E., Olympia, Washington 98501-1311.

The next regularly scheduled Board meeting is January 26, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:30 p.m.